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FISCAL IMPACT STATEMENT

LS 6025

BILL NUMBER: HB 1192

NOTE PREPARED: Feb 17, 2005

BILL AMENDED:

SUBJECT: Option Income Tax Residency Date.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill changes the date (from January 1 to July 1) on which residency is determined for purposes of the County Adjusted Gross Income Tax (CAGIT), the County Option Income Tax (COIT), the County Economic Development Income Tax (CEDIT), and the Municipal Option Income Tax.

Effective Date: January 1, 2005 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* A CAGIT, COIT, or CEDIT county would likely experience either a one-time increase or decline to their certified distribution, under the provisions of the bill. The increase or decline to LOIT certified distributions would begin with CY 2005 income taxes due in April of 2006 and the subsequent certified distribution calculated from those taxes and distributed in CY 2007. The impact to local revenue would depend on the migration patterns of the county. As an example, if a LOIT county were to experience a net increase in taxpayers from January 1, 2005, to July 1, 2005, a county could receive more in distributions in CY 2007 from the CY 2005 income taxes due in April 2006 than they would have under the current residency/place of employment deadline of January 1.

U.S. Census Bureau county migration patterns indicate that an average Indiana county from 1995-2000 gained

11,200 residents and lost about 10,900. The maximum increase in residents for a county was about 129,500. The minimum increase was about 1,200. The maximum decrease in residents for a county was approximately 155,500, and the minimum decrease in residents for a county was about 970. There were 45 Indiana counties that realized a net decline in residents over the five-year period. The remaining 47 counties realized a net increase in residents.

Note: County resident migration estimates are available upon request.

Background: There are currently 88 counties that have adopted either COIT, CAGIT, or CEDIT. There are 71 counties that have adopted CEDIT, with total distributions equaling \$197 M in CY 2005. There are 27 counties that have adopted COIT, with total distributions of \$402.6 M in CY 2005. There are 56 CAGIT counties that had total distributions equaling \$338.9 M in CY 2005.

State Agencies Affected:

Local Agencies Affected: Local option income tax counties.

Information Sources: U.S. Census Bureau, County Migration Patterns 1995-2000; State Budget Agency.

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